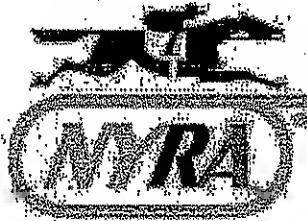


**The New York Racing Association, Inc.
Franchise Oversight Board
2010 Budget Narrative
REVISED**



NYRA requests that the enclosed documents be exempted from disclosure pursuant to the New York State Freedom of Information Law because these documents contain proprietary and confidential information, the disclosure of which would cause substantial injury to the competitive position of NYRA.

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I. OVERVIEW OF NYRA

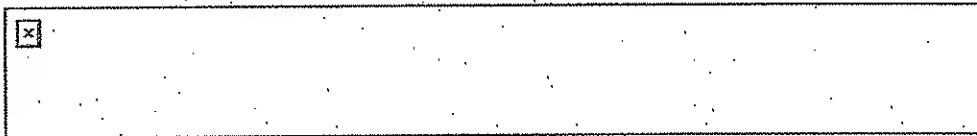
The New York Racing Association, Inc. (NYRA) is a not-for-profit organization that operates the three largest thoroughbred racetracks in the state of New York: Aqueduct in Ozone Park, Queens; Belmont Park in Elmont, Long Island; and Saratoga Racecourse in upstate Saratoga Springs, New York.

NYRA employs approximately 1,300 full-time workers of which approximately 900 are unionized, and conducts year-round racing with approximately 256 race days a year. Aqueduct hosts winter racing from November thru April. Belmont Park, home to the prestigious Belmont Stakes, hosts a spring meet from May to July and a fall meet from September thru October. Finally, during the summer in the latter part of July thru Labor Day, NYRA operates Saratoga Racecourse for a six week race meet.

The current NYRA 25-year franchise expires December 31, 2033.

AQUEDUCT®

BELMONT PARK®



NYRA SUMMARY P&L
(IN THOUSANDS)

	2010 <u>Budget Reforecast</u>	2009 <u>Forecast</u>	'10/'09 % <u>Change</u>
Gross Revenue			
On-track	\$ 67,526	\$ 71,356	-5%
P M Breakage	1,345	1,454	-7%
On track revenue	14,398	13,321	8%
New York OTB	72,733	77,635	-6%
In-state	3,294	3,601	-9%
Commingled Out of State	70,038	76,750	-9%
Non-commingled	1,755	1,743	1%
Other revenue	21,106	22,336	-6%
Total Gross Revenue	252,194	268,194	-6%
Statutory Payments			
Stakes & Purses	99,950	109,226	-8%
Pari-Mutuel	5,278	5,528	-5%
Breeding Fund	2,557	2,710	-6%
NYS R&W Board	1,826	1,936	-6%
NYRA Rewards rebate	1,483	1,783	-17%
Total Statutory Payments	111,095	121,183	-8%
Net Revenue	141,100	147,011	-4%
Operating Expenses:			
Racing	11,131	11,072	1%
Facilities	51,152	49,931	2%
Security	10,298	11,346	-9%
Customer service	10,726	10,661	1%
Advertising & Promotion	8,301	8,142	2%
Administration	54,639	52,339	4%
Total Operating Expenses	146,247	143,491	2%
Operating Income	(5,147)	3,520	-246%
Non-Operating Expenses:			
Pension	7,000	7,200	-3%
Post Retiree Benefits	2,250	1,900	18%
Depreciation	4,500	2,727	65%
Real Estate tax	50	51	-2%
Interest	60	61	-2%
Corporate Income Tax	-	2	-100%
Total Non-Operating Expenses	13,860	11,941	16%
Total Expenses	160,107	155,432	3%
Net Income (Loss)	\$ (19,007)	\$ (8,421)	126%

II. BUDGET PROCESS

a. General

NYRA operates on a fiscal year ending December 31.

NYRA manages three major racing facilities: Aqueduct, Belmont and Saratoga. For budgeting purposes, each is divided into the following functional areas: Facility, Track, Fleet, Cleaning and Security. NYRA also maintains an administrative budget for corporate operations such as Accounting/Finance, Human Resources, Purchasing, Payroll and Audit that support all three tracks. Budget management is controlled centrally in the Finance department which holds monthly meetings with department heads and facility managers. Capital planning is also done by track and functional area. Capital budgets combine materials and labor and produce project based forecasts which are then planned by month, most often by racing schedule.

b. Operating Budget Process, Development and Approval

The budget process begins each year in mid-October with a review of the current year financials. Department heads and managers meet to discuss the following year's needs and submit a budget proposal to the Finance department for review. Comparisons are made between current and prior year figures and modifications are made in line with targets and goals set by NYRA management. Regular meetings are held during this process and any changes made are done so in consultation with department heads and operating managers.

The budget considers industry wagering trends, NYRA's racing product and the number of days and timing for each meet. The budget model is presented in comparison to the prior year forecast as of September 2009. At the conclusion of these meetings, NYRA management prepares a draft budget for submission to the NYRA Finance Committee for its review, completion and approval. Upon approval by the Finance Committee, NYRA's Board of Directors (See Appendix A) ultimately votes to approve the annual budget.

The 2010 budget indicates that NYRA faces a very serious near-term cash crisis which compromises NYRA's ability to conduct operations. NYRA's Board of Directors approved the 2010 budget subject to the assumption that NYRA receive sufficient interim funding.

c. Capital Budget

Capital planning begins in August for the following fiscal year. Each track and other functional areas submit requests for required maintenance, regulatory compliance and improvements. These are presented to the Finance Committee and ultimately the Board of Directors for review and approval.

The 2010 capital budget reflects the minimum required spending to keep the tracks functioning and to comply with environmental requirements. Due to the lack of long term financing from VLT revenue, no improvements to the backstretch or investments to increase on-track wagering are affordable.

Regular meetings are held with department heads regarding progress and modifications to the requests. Current year projects are also reviewed to determine percent completion and budget status.

See the following page for a capital project overview:

(in 1000s)

	2007 Five Year Plan 2010 Capex	Proposed 2010 Capex
AQUEDUCT		
Brooklyn Water Works	\$4,100	\$0
Install Emergency Lighting	150	50
Hazardous Materials Abatement Program GS	250	100
IT Infrastructure	1,265	1,040
Maintenance Capex	150	150
Additional Frontside Projects	3,400	0
Additional Backside Projects	1,580	0
SUBTOTAL AQUEDUCT	\$10,895	\$1,340
BELMONT		
Upgrade Escalators & Elevators	\$100	\$100
Upgrade Electrical Transformers	150	150
Upgrade Electrical Systems (Backstretch)	50	50
Replace Sprinkler Heads (Backstretch)	100	100
CAFO Upgrades	2,500	1,500
Carrels for the Players Club	96	96
Dredge the Belmont Sump	750	750
Replace Pipe running from B/S	80	80
Upgrade gasoline pumping and monitoring equipment	50	50
Variable Speed Motor for Chiller #2	85	85
Replace Roof Gutters	50	50
Maintenance Capex	500	500
Additional Frontside Projects	5180	0
Additional Backside Projects	5680	0
SUBTOTAL BELMONT	\$15,371	\$3,511
SARATOGA		
Yaddo	\$1,000	\$1,000
CAFO Upgrades	1,000	500
Stable Area Drainage Improvements	100	100
Stable Area Electrical Improvements	50	50
Stable Area Plumbing Improvements	50	50
Fire Safety System Upgrade (Backstretch)	50	50
Barn Roof Replacement and Reconditioning	250	150
Barn Jacking and Renovation	500	250
Infield Pond Improvements, Water	100	100
Sanitary and Storm Water System Improvements	500	200
Stress Building Support System (CH & GS)	125	125
Fire Safety System Upgrades	50	50
Upgrade Electrical/Lighting Systems	50	50
Grandstand/Clubhouse Area Plumbing, HVAC Improvements	75	75
Awning & Canopy Replacement & Modification	150	150
Rehabilitate Clubhouse Wood Floors	75	75
New Horse Path Fencing in Backyard	120	120
Maintenance Capex	350	350
Additional Frontside Projects	1,716	0
Additional Backside Projects	800	0
SUBTOTAL SARATOGA	\$7,111	\$3,445
FLEET		
Track Equipment: Aqueduct, Belmont, Saratoga	\$974	\$974
Security: Aqueduct, Belmont, Saratoga	230	50
Parking: Aqueduct, Belmont, Saratoga	140	38
Ambulance (Horse/Human)	180	50
Cleaning	325	78
Maintenance Equipment: Aqueduct	380	105
Maintenance Equipment: Belmont	870	555
Maintenance Equipment: Saratoga	445	225
Vanning	30	0
SUBTOTAL FLEET	\$3,544	\$2,075
Combined Total	\$36,921	\$10,371

NYRA requests that the enclosed documents be exempted from disclosure pursuant to the New York State Freedom of Information Law because these documents contain proprietary and confidential information, the disclosure of which would cause substantial injury to the competitive position of NYRA.

III. STAFFING OVERVIEW

NYRA Staffing Table - 2010 vs. 2009

A vital element in the budget process is the review of actual headcount numbers in relation to proposed headcount or full time equivalent (FTE) numbers in the budget draft. Capital projects are also considered at this time in regards to headcount and FTE numbers as in general, the labor pool is shared for operating and capital projects. Consideration is given for increases or decreases in demand and for projected turnover.

ADMINISTRATIVE (NON-UNION) EMPLOYEES			
DEPARTMENT	2010 Headcount	2009 Headcount	DELTA
Mutuels	32	32	0%
Racing	78	80	-3%
Finance *	42	44	-5%
Marketing	7	9	-22%
Communications	11	9	22%
CCTV	6	6	0%
Legal	7	8	-13%
Customer Service	16	20	-20%
Souvenirs	4	4	0%
HR	25	23	9%
Group Sales	10	6	67%
Parking & Admissions	17	20	-15%
Post Parade	1	1	0%
Cleaning	6	6	0%
Information Systems	22	23	-4%
Executive Administration	7	7	0%
Security	18	17	6%
Facilities / Track Administration	19	17	12%
Total	328	332	-1%

* Includes accounting/finance, purchasing, payroll, internal audit and horsemens bookkeeper

COLLECTIVE BARGAINING (UNION) EMPLOYEES			
DEPARTMENT	2010 FTE*	2009 FTE*	DELTA
Mutuels	105	105	0%
CCTV	27	25	8%
Customer Service	1	1	0%
Racing	48	48	0%
Security	224	224	0%
Admissions	60	60	0%
Cleaning	132	107	23%
Fleet	7	6	17%
Facilities / Track / Vanning	347	336	3%
Total	951	912	4%
Grand Total	1279	1244	3%

* Full Time Equivalent (FTE) ratio equal to 40 hours per week

** Does not include temporary help

IV. REVENUE (\$000's)

a. Overview:

2009 was a challenging year for NYRA and the racing industry in general, and recent trends and developments prove that 2010 will be just as difficult. On March 5th 2009, Magna Entertainment filed for bankruptcy. In addition, NYC OTB filed for bankruptcy on December 3, 2009. Naturally, NYRA has taken the current economic situation into account in preparing its 2010 revenue budget and is based on the following factors which will substantially impact its financial condition going forward:

- High single-digit handle declines
- Racing schedule change – adding (4) more days at Saratoga
- No material headcount changes (Union and Non-Union)
- No significant cost savings to be negotiated from union contracts
- No Administrative (Non-Union) compensation increases, which is the second consecutive year employees have not received merit increases.
- No VLT Revenue
- No further deterioration in NYC OTB credit and business relations

b. Handle-Generated Revenue

Daily average handle for 2010 is budgeted to decrease by approximately 8%. The Aqueduct and Belmont meets account for an approximate decline of 9.5%, while Saratoga accounts for a 5% daily handle decline.

1. On Track Revenue

FY 2010 Budget: \$67,526

FY 2009 Forecast: \$71,356

On-track handle is budgeted to decline 6% in 2010. This projected decrease is a result of the continuation of the economic headwinds facing the racing industry.

**2. Out-of-State Commingled and
International Non-Commingled
Revenue**

FY 2010 Budget: \$71,793

FY 2009 Forecast: \$78,493

Out-of-State commingled and International non-commingled handle is budgeted to decrease 9% as compared to the 2009 forecast.

3. OTB's and In-State Revenue

FY 2010 Budget: \$76,027

FY 2009 Forecast: \$81,236

Budgeted handle on NYRA races derived from downstate and upstate OTB's is projected to decrease 9%. This decline in handle is a result of the continued trend away from OTB betting in favor of ADW outlets.

c. Primary Non-Wagering Revenue

1. On-Track Related

FY 2010 Budget: \$14,398

FY 2009 Forecast: \$13,321

On-track related revenue includes parking, admissions, program sales and concessions and is budgeted to increase 8%. It should be noted that this is not a true increase, but rather a reclassification of revenue between admissions and group sales income.

2. Flea Market

FY 2010 Budget: \$2,935

FY 2009 Forecast: \$2,935

NYRA forecasts \$2.9 million as a 2010 license fee from Plain & Fancy Shows, the organizer of the flea market conducted at Aqueduct. However, a portion of this revenue stream may be at risk due to the construction of the VLT facility.

3. Sponsorships/Group Sales

FY 2010 Budget: \$5,950

FY 2009 Forecast: \$6,982

Sponsorship revenue is budgeted at \$2.7 million and group sales revenue at \$3.3 million, a 15% decrease as compared to the 2009F. This is the offset to the reclassification of on-track related revenue mentioned above.

4. Television

FY 2010 Budget: \$4,630

FY 2009 Forecast: \$4,435

Budgeted television broadcast revenue of \$4.6 million will increase 4% based on a scheduled increase in the ABC/ESPN contract.

5. Content Fees

FY 2010 Budget: \$2,500

FY 2009 Forecast: \$2,500

In 2009, NYRA received \$2.5 million in content fees from three Advanced Deposit Wagering (ADW) organizations; TVG, HRTV/Tracknet and Youbet. NYRA was successful in renegotiating the same \$2.5 million again for 2010.

V. STATUTORY PAYMENTS (000's)

FY 2010 Budget:
\$111,095

FY 2009 Forecast:
\$121,183

Statutory payments are anticipated to decrease roughly \$10.1 million, or 8%, in 2010 primarily due to declining handle revenue projections. Daily average handle is budgeted to decrease approximately 8% while on-track handle is budgeted to decline 6%.

a. Stakes and Purses

FY 2010 Budget:
\$99,950

FY 2009 Forecast:
\$109,226

Stakes and Purse expense is expected to decrease roughly \$9.3 million, or 9%, due to declining handle related revenue projections for 2010.

b. Pari-Mutuel Tax

FY 2010 Budget: \$5,278

FY 2009 Forecast: \$5,528

Pari-Mutuel taxes are directly tied to on-track handle and based on declining revenue projections for 2010. Taxes are budgeted to decrease roughly 5%, or \$250k.

c. Thoroughbred Breeding Fund

FY 2010 Budget: \$2,557

FY 2009 Forecast: \$2,710

Payments made to the Thoroughbred Breeding and Development Fund are directly tied to on-track handle and based on declining revenue projections for 2010. These payments are expected to decline approximately 6%, or \$153k.

FY 2010 Budget: \$1,826

d. NYSRWB

FY 2009 Forecast: \$1,936

Regulatory fees are directly tied to on-track handle and based on declining revenue projections for 2010. Fees paid to the NYSRWB are budgeted to decrease roughly 6%, or \$110k.

FY 2010 Budget: \$1,483

e. NYRA Rewards Rebate

FY 2009 Forecast: \$1,783

The NYRA Rewards Rebate Program is budgeted to decrease \$300k, or 17% and correlates to the projected decrease in on-track handle.

VI. OPERATING EXPENSES (000's)

FY 2010 Budget:

\$146,247

FY 2009 Forecast:

\$143,491

Total operating expenses (excluding statutory payments) are projected to increase \$2.8 million, or 2%. One contributing factor was a 10% increase in Saratoga travel pay due to an additional (4) race days. Total operating expenses for the following functional areas are detailed in the following sections.

FY 2010 Budget: \$11,131

a. RACING

FY 2009 Forecast: \$11,072

The Racing group consists of the following departments: Racing, Vanning and Printing. Total expenses for all three areas is budgeted to increase \$59k, or 1%. The following is a breakout by department:

FY 2010 Budget: \$9,101

1. Racing Department

FY 2009 Forecast: \$8,881

The Racing department creates, produces and oversees every aspect of NYRA's highly regarded racing program and product at all three NYRA tracks including managing the day-to-day racing operations, writing the condition book, and providing stall allocations.

Racing

	Budget '10	Forecast '09	Variance	%
Administrative Regular Wages	\$3,854	\$3,796	\$59	2%
Administrative OT Wages	161	\$158	\$2	2%
Union Regular Wages	1,865	1,820	46	3%
Union OT Wages	58	56	1	3%
Union Fringe	578	620	(42)	-7%
Payroll Taxes	427	423	4	1%
Jockey Guild Welfare Fund	251	245	7	3%
Saratoga Per Diem	530	515	15	3%
Outrider (Bedding Material)	424	375	49	13%
Outside Services	179	169	10	6%
Other	774	705	69	10%
Budget Totals	\$9,101	\$8,881	\$220	2%

Total expenses are budgeted to increase \$220k, or 2%, and is primarily attributable to union and non-union payroll increases.

FY 2010 Budget: \$903

2. Vanning Department

FY 2009 Forecast: \$946

The Vanning department is responsible for the transportation of horses between the three NYRA tracks:

Vanning

	Budget '10	Forecast '09	Variance	%
Union Wages	\$285	\$277	\$9	3%
Union OT Wages	147	142	4	3%
Union Fringe	154	153	1	1%
Payroll Taxes	24	23	1	4%
Rent	0	57	(57)	-100%
Saratoga Shuttle	286	285	1	0%
Other	7	9	(2)	-17%
Budget Totals	\$903	\$946	(\$42)	-4%

Total expenses are budgeted to decrease \$42k, or 4%. In 2010, NYRA will no longer rent an off-track building in Elmont for parking and storing its vehicles.

FY 2010 Budget: \$1,127

3. Printing Department

FY 2009 Forecast: \$1,245

The Printing department is responsible for all aspects of producing the post parade and pocket program, two daily publications for handicappers to purchase on-track for race card statistics and information.

Printing

	Budget '10	Forecast '09	Variance	%
Administrative Wages	\$63	\$63	\$0	0%
Payroll Taxes	24	23	1	4%
Post Parade Printing	531	693	(\$162)	-23%
Pocket Programs	170	98	\$72	73%
Pre-Press	60	91	(\$31)	-34%
Other	279	277	\$2	1%
Budget Totals	\$1,127	\$1,245	(\$118)	-10%

Printing costs are budgeted to decrease \$118k, or 10%, and is a direct result of management efforts to reduce printing costs where possible.

FY 2010 Budget: \$51,152

b. FACILITIES

FY 2009 Actual: \$49,931

The Facilities group consists of the following departments: Aqueduct, Belmont and Saratoga Facilities, Track, Fleet and Cleaning. Total expenses are expected to decrease roughly \$1.2 million, or 2%. The following is a breakout by department:

FY 2010 Budget: \$11,679

1. Aqueduct Facility

FY 2009 Actual: \$11,987

Aqueduct is the winter racing facility and is open from November through April. It is located in Ozone Park, Queens and is the only racetrack located within New York City limits. It first opened in 1894, was rebuilt in 1959, and comprises 228 acres.

Facility Aqueduct

	Budget '10	Forecast '09	Variance	%
Administrative Wages	\$173	\$445	(\$272)	-61%
Union Wages	3,603	3,173	430	14%
Union OT	713	793	(80)	-10%
Union Fringe	1,570	1,488	82	6%
Payroll Taxes	427	423	4	1%
Materials	492	676	(184)	-27%
Utilities	3,630	3,637	(7)	0%
Outside Services	805	836	(31)	-4%
Other	266	516	(250)	-48%
Budget Totals	\$11,679	\$11,987	(\$308)	-3%

Aqueduct facility expenses are budgeted to decrease \$308k, or 3%, primarily due to improvements and reductions in purchasing. Labor efficiencies are also being realized in the reduction of overtime hours, particularly in the trades. Furthermore, the \$272k decrease in administrative wages is due to a significant reorganization which occurred within the facilities department in an effort to centralize office operations. Lastly, significant reductions are also forecasted in material and project costs as several large repair projects were completed in 2009, these included work to fire protection systems and boiler room operations.

FY 2010 Budget: \$17,339

2. Belmont Facility

FY 2009 Actual: \$15,995

Belmont Park, at 446 acres, is a sprawling racing, training and barn complex located in Elmont, NY. The mile-and-a-half main track is the largest dirt course in thoroughbred racing in the entire world. The track first opened on May 4, 1905 and is home to the third and final leg of the Triple Crown. The facility is open each year from May to July for a spring meet, and then again from September to November for a fall race meet.

Facility Belmont

	Budget '10	Forecast '09	Variance	%
Administrative Wages	\$440	\$228	\$212	93%
Union Wages	5,093	4,366	727	17%
Union OT	1,608	1,379	229	17%
Union Fringe	2,377	2,050	327	16%
Payroll Taxes	522	517	5	1%
Materials	1,099	1,226	(127)	-10%
Utilities	3,880	3,889	(9)	0%
Outside Services	1,531	1,717	(186)	-11%
Other	789	623	166	27%
Budget Totals	\$17,339	\$15,995	\$1,344	8%

Belmont facility expenses are budgeted to increase roughly \$1.3 million, or 8%. The increase is due to labor costs and a restructuring of the Administration area. Several managers and employees were relocated to Belmont in an effort to streamline and centralize office operations. The significant increase in union labor is due to an increase in staffing due to high demand as the facility is maintained. Improvements in inventory tracking have allowed for a reduction in materials purchases and help to offset the labor increases.

FY 2010 Budget: \$7,206

3. Saratoga Facility

FY 2009 Actual: \$7,181

Saratoga Racecourse, located in upstate Saratoga Springs, NY is the oldest organized sporting venue of any kind in the United States. It opened on August 3, 1863 and comprises 333 acres. From the latter part of July thru Labor Day, Saratoga runs a six week race meet hosting some of the most prestigious thoroughbred racing in the world. It should be noted that NYRA faces significant economic, political and environmental challenges in maintaining a facility of this historic nature.

Facility Saratoga

	Budget '10	Forecast '09	Variance	%
Administrative Wages	\$454	\$321	\$133	41%
Union Wages	2,539	2,103	436	21%
Union OT	627	701	(74)	-11%
Union Fringe	777	750	27	4%
Payroll Taxes	332	329	3	1%
Materials	533	699	(166)	-24%
Utilities	795	800	(5)	-1%
Outside Services	1,007	1,279	(272)	-21%
Other	142	199	(57)	-29%
Budget Totals	\$7,206	\$7,181	\$25	0%

Saratoga facility expenses are budgeted to increase \$25k, or less than 1%. The largest savings is attributable to improvements in inventory tracking allowing for fewer purchases. Outside services will also be reduced as more needs are to be fulfilled internally to reduce costs. Increases in payroll are seen in administration and labor due to reorganization of the facility to better maintain the historic facility and ensure the success of the industry's premier meet.

FY 2010 Budget: \$6,192

4. Track

FY 2009 Actual: \$5,875

Dedicated track crews maintain these state-of-the-art racing surfaces at all three properties. It is NYRA's commitment to ensure that these surfaces are in excellent condition for the overall safety of the horses, jockeys, and all others involved on an operational level.

Track (AQ BEL SAR)

	Budget '10	Forecast '09	Variance	%
Administrative Wages	\$465	\$465	\$0	0%
Union Wages	1,471	1,660	(189)	-11%
Union OT	1,558	1,520	38	3%
Union Fringe	741	50	691	1382%
Payroll Taxes	356	329	27	8%
Materials	869	744	125	17%
Utilities	0	176	(176)	-100%
Outside Services	90	344	(254)	-74%
Other	642	587	55	9%
Budget Totals	\$6,192	\$5,875	\$317	5%

Track expenses are budgeted to increase \$317k, or 5%. This is due to necessary maintenance on the infield lakes as well as the turf and dirt surfaces at all tracks. NYRA incurs significant overtime expense in this function due to union constraints and the 24/7 nature of maintaining these surfaces. A significant increase in union fringe benefits is due to a reclassification of expenses which previously resided in the respective facility budgets.

FY 2010 Budget: \$3,836

5. Fleet

FY 2009 Actual: \$4,138

The Fleet department is comprised of facility maintenance workers who oversee the entire inventory of NYRA vehicles (including track equipment) at all three tracks. The entire fleet inventory consists of approximately 250 vehicles ranging from 20 ton graders to large riding mowers. This function is essentially a garage where the staff repair and maintain these vehicles in proper working order.

Fleet

	Budget '10	Forecast '09	Variance	%
Union Wages	599	517	82	16%
Union OT	254	375	(121)	-32%
Union Fringe	29	17	12	71%
Payroll Taxes	95	94	1	1%
Leases	745	1,070	(325)	-30%
Repairs	1,202	1,093	109	10%
Other	912	972	(60)	-6%
Budget Totals	\$3,836	\$4,138	(\$302)	-7%

Total expenses are budgeted to decrease \$302k, or 7%. The percentage decrease in leases is a result of NYRA having deferred the purchase of several large and multiple smaller pieces of equipment over the past several years due to the financial constraints the company was experiencing. Also, service life of some several vehicles have been extended due to better maintenance.

FY 2010 Budget: \$4,900

6. Cleaning

FY 2009 Actual: \$4,755

The Cleaning department is responsible for providing a clean and sanitary environment at the three NYRA properties (including the backstretch living quarters) for its patrons, employees and workers. The department also handles the purchasing and distribution of cleaning supplies.

Cleaning

	Budget '10	Forecast '09	Variance	%
Administrative Wages	\$266	\$279	(\$13)	-5%
Union Wages	\$1,685	\$1,689	(\$4)	0%
Union OT	\$1,033	\$1,035	(\$2)	0%
Union Fringe	714	704	\$10	1%
Payroll Taxes	237	235	2	1%
Supplies	391	359	32	9%
Other	574	454	120	26%
Budget Totals	\$4,900	\$4,755	\$145	3%

Total expenses are budgeted to increase roughly \$145k, or 3%. This is due primarily to a contractual wage increase for outside contractors in Saratoga and an increase in cost of supplies.

FY 2010 Budget: \$10,298

c. SECURITY

FY 2009 Actual: \$11,347

The Security department is responsible for the health, safety and welfare of employees, patrons, horses stabled on NYRA properties and the workers living on the grounds. The department maintains security watch 24/7 at all three tracks both on the public access side and the backstretch.

Security

	Budget '10	Forecast '09	Variance	%
Administrative Wages	\$647	\$647	\$0	0%
Union Wages	6,192	5,897	295	5%
Union OT	2,064	1,966	98	5%
Union Fringe	332	1,945	(1,613)	-83%
Payroll Taxes	617	612	5	1%
Supplies	113	105	8	8%
Outside Services	60	48	12	25%
Other	273	127	146	115%
Budget Totals	\$10,298	\$11,347	(\$1,049)	-9%

Total expenses are projected to decrease roughly \$1 million, or 9%. 2009 actuals came in roughly \$500k under forecasted projections. The 2009 forecast achieved these savings through strict labor management and conservative estimates. The decrease in union fringe is due to new accounting procedures for health plan costs. These costs are being moved to the Human Resources department to have a single account for the entire organization.

FY 2010 Budget: \$10,726

d. GUEST SERVICES

FY 2009 Forecast: \$10,661

The Guest Services group consists of the following departments: Customer Service, Souvenirs, Group Sales and Parking & Admissions. Total expenses are budgeted to increase \$66k, or 1%. The following is a breakout by department:

FY 2010 Budget: \$1,350

1. Customer Services
Department

FY 2009 Forecast: \$1,481

The Guest Services department is responsible for all aspects of patron interaction. The department also handles all issues relating to VIP hospitality, horsemen relations, ATM's, concessions and trophy purchases.

Customer Service

	Budget '10	Forecast '09	Variance	%
Administrative Wages	\$604	\$688	(\$84)	-12%
Union Wages	25	22	3	13%
Union OT	2	2	0	4%
Union Fringe	18	30	(12)	-40%
Payroll Taxes	47	47	0	0%
Temporary Help	155	114	41	36%
AQ, BEL & SAR Dining Rooms	195	206	(11)	-5%
Other	304	372	(68)	-18%
Budget Totals	\$1,350	\$1,481	(\$131)	-9%

Total expenses are budgeted to decrease \$131k, or 9%. This decrease is primarily attributable to a departmental reorganization including the transfer of the newly appointed Food and Beverage Coordinator to the Group Sales Department.

FY 2010 Budget: \$664

2. Souvenirs

FY 2009 Forecast: \$575

The NYRA store sells branded merchandise, gifts and other track souvenirs as well as cigarettes and lottery tickets.

Souvenirs

	Budget '10	Forecast '09	Variance	%
Administrative Wages	\$103	\$102	\$1	1%
Payroll Taxes	24	23	1	4%
COGS	380	326	54	17%
Temporary Help	128	110	18	16%
Other	29	14	15	106%
Budget Totals	\$664	\$575	\$89	15%

Total expenses are budgeted to increase \$89k or 15%. This is due to increases in the cost of goods sold, temporary help at Saratoga, and ordering of supplies.

FY 2010 Budget: \$3,704

3. Group Sales Department

FY 2009 Forecast: \$3,588

The Group Sales department is primarily involved in attracting, promoting and organizing large scale group events such as private parties, meetings, luncheons, fundraisers, corporate events, etc. at the three NYRA venues.

Group Sales

	Budget '10	Forecast '09	Variance	%
Administrative Wages	\$532	\$343	\$189	55%
Payroll Taxes	48	47	1	2%
Catering Costs	2,374	2,491	(117)	-5%
Rentals	500	485	15	3%
Other	250	222	28	13%
Budget Totals	\$3,704	\$3,588	\$116	3%

Total expenses are budgeted to increase \$116k, or 3% primarily due to a reorganization which includes the addition of some new positions to enhance the department's services.

FY 2010 Budget: \$5,008

**4. Parking and Admissions
Department**

FY 2009 Forecast: \$5,016

The Parking and Admissions department is responsible for issuing admission and parking credentials, collecting on-track revenue in the form of admission and parking fees, and employs a support staff to assist patrons with parking, seating, and other ticketing issues. The department also orders and sells NYRA's post parade, programs, newspapers and selection sheets.

Parking & Admissions

	Budget '10	Forecast '09	Variance	%
Administrative Reg Wages	\$820	\$932	(\$112)	-12%
Administrative OT Wages	\$52	\$60	(\$8)	-13%
Union Wages	1,323	1,277	46	4%
Union OT	164	158	6	4%
Union Fringe	47	36	11	31%
Payroll Taxes	237	235	2	1%
Temporary Help	1,076	941	135	14%
Saratoga Per Diem	295	270	25	9%
Medical	0	236	(236)	-100%
Credentials	110	165	(55)	-33%
Shuttle Buses	530	322	208	65%
Other	354	384	(30)	-8%
Budget Totals	\$5,008	\$5,016	(\$8)	0%

Total expenses are budgeted to remain flat. Shuttle bus costs for patrons between Aqueduct and Belmont are expected to increase due to a new contract as well as additional hours needed to replace the bus used for the transfer of Security department employees between tracks. This is offset by a decrease in medical benefits expense which resides in the Human Resources Budget for 2010.

c. **ADVERTISING &
PROMOTIONS**

FY 2010 Budget: \$8,301

FY 2009 Forecast: \$8,142

The Advertising and Promotions group consists of the following departments: Marketing and Promotions, Simulcast and Communications. Total expenses are expected to increase \$159k, or 2%. The following is a breakout by department:

1. **Marketing & Promotions
Department**

FY 2010 Budget: \$4,078

FY 2009 Forecast: \$3,866

The Marketing and Promotions department is responsible for placing advertisements through multiple communication mediums in an effort to effectively market and promote the NYRA racing product. This group organizes ancillary on-track/off-track events and activities, serves as NYRA's brand manager, executes the strategy for the NYRA Rewards program and handles the fulfillment of sponsorship agreements between NYRA and its corporate partners.

Marketing and Promotions

	Budget '10	Forecast '09	Variance	%
Administrative Wages	\$563	\$559	\$4	1%
Payroll Taxes	48	47	1	2%
Promotions	1,528	1,466	62	.4%
Advertising Media	1,065	738	327	44%
Promotions	336	319	17	5%
Sponsor Hospitality	85	306	(221)	-72%
NYRA Rewards Advertising	265	183	82	45%
Other	188	248	(60)	-24%
Budget Totals	\$4,078	\$3,866	\$212	5%

Total expenses are budgeted to increase \$212k, or 5%, as a result of more general advertising and NYRA rewards marketing. This is offset by a \$221k decrease in sponsorship hospitality costs. Despite the 5% increase, it should be noted that 2008 total expenses were roughly \$5.2 million, well higher than the \$4.1 million budget allocated for 2010.

FY 2010 Budget: \$3,399

2. Simulcast Department

FY 2009 Forecast: \$3,373

The Simulcast department is responsible for exporting the NYRA signal for wagering to off-track locations. The department also imports thoroughbred racing signals from other areas for wagering at NYRA racetracks and through NYRA's ADW platform.

Simulcast/CCTV

	Budget '10	Forecast '09	Variance	%
Administrative Wages	\$454	\$594	(\$140)	-24%
Union Wages	829	785	.45	6%
Union OT	339	320	18	6%
Union Fringe	295	174	121	70%
Payroll Taxes	95	125	(30)	-24%
Transponder Uplink	644	480	164	34%
Talent	340	305	35	11%
Travel	110	98	12	12%
CCTV Monitoring	60	150	(90)	-60%
Other	233	342	(109)	-32%
Budget Totals	\$3,399	\$3,373	\$26	1%

Total expenses are budgeted to remain flat. Higher transponder uplink costs as a result of a new fiber run to Cablevision for the Nassau and Suffolk satellite feeds is offset by a 60% decrease in monitoring costs due to an expired maintenance agreement that NYRA is no longer required to pay.

FY 2010 Budget: \$824

3. Communications Department

FY 2009 Forecast: \$903

The Communications department is responsible for the development, implementation and oversight of all NYRA communications, public relations, and publicity initiatives.

Communications

	Budget '10	Forecast '09	Variance	%	2008
Administrative Wages	\$430	\$476	(\$46)	-10%	\$666
Payroll Taxes	48	47	1	2%	44
Internet - Press Box	60	46	14	30%	0
P/R Activities	96	77	19	25%	81
Other	190	257	(67)	-26%	241
Budget Totals	\$824	\$903	(\$79)	-9%	\$1,032

Total expenses are budgeted to decrease \$79k or 9% due to the elimination of press lunches.

FY 2010 Budget: \$54,639

f. ADMINISTRATION

FY 2009 Forecast: \$52,339

The Administration group consists of the following departments: Mutuels, Legal, Human Resources, Risk Management, Information Technology, Finance and Executive Administration. Total expenses are budgeted to increase \$2.3 million, or 4%. The following is a breakout by department:

FY 2010 Budget: \$11,695

1. Mutuel Department

FY 2009 Forecast: \$11,810

The Mutuel department is responsible for staffing the betting windows and serving the public in an honest and efficient manner. Mutuels works extremely close with the Tote provider to make sure that wagering is taking place according to pari-mutuel rules and regulations governed by the NYSRWB. The department also houses the cash vault where operational funds are distributed, reconciled and safeguarded.

Mutuels

	Budget '10	Forecast '09	Variance	%
Administrative Wages	\$1,658	\$1,660	(\$2)	0%
Union Wages	4,825	4,920	(95)	-2%
Non-Union - "Extras" Wages	425	451	(26)	-6%
Union Fringe	110	107	3	3%
Payroll Taxes	617	612	5	1%
Totalizator Expense	1,215	1,305	(90)	-7%
Saratoga Per Diem	490	464	26	6%
Incentive Bonus	350	350	0	0%
Temporary Help	1,708	1,649	59	4%
Other	297	293	5	2%
Budget Totals	\$11,695	\$11,810	(\$115)	-1%

Total expenses are budgeted to decrease roughly \$115k or 1%. Management continues to operate this area at minimum-required staffing levels with respect to the collective bargaining contract. This is in an effort to reduce union and seasonal payroll costs and to promote the use of self-service wagering. The fee paid to the tote provider (% of handle) is also expected to decrease roughly 7% as a result of an expected decrease in handle.

FY 2010 Budget: \$3,244

2. Legal Department

FY 2009 Forecast: \$3,469

The law department is responsible for handling all legal issues pertaining to NYRA's operation. These include contractual agreements between NYRA and third party contractors, arbitrations, lawsuits, and compliance issues such as anti-money laundering.

Legal

	Budget '10	Forecast '09	Variance	%
Administrative Wages	\$914	\$962	(\$48)	-5%
Payroll Taxes	95	94	1	1%
Other Consulting	240	150	90	-60%
Professional Services	1,920	2,196	(276)	-13%
Other	75	67	8	12%
Budget Totals	\$3,244	\$3,469	(\$225)	-6%

Total expenses are budgeted to decrease \$225k, or 6%, primarily in the category of external professional services.

FY 2010 Budget: \$16,995

3. Human Resources Department

FY 2009 Forecast: \$14,469

The Human Resources department manages all employee and labor relations functions, including negotiation and administration of twenty-six collective bargaining agreements; negotiation and administration of all health and welfare benefit plans, 401(k) plans, five defined benefit pension plans, Workers' Compensation and other risk management plans, and post retirement benefit plans. The department has a professional recruitment function, and is responsible for NYRA's Community Relations efforts.

Human Resources

	Budget '10	Forecast '09	Variance	%
Administrative Wages	\$1,022	\$994	\$28	3%
Payroll Taxes	95	94	1	1%
HMO	5,796	3,983	1,813	46%
EMT	1,117	1,023	94	9%
Retiree Benefits	4,464	4,116	348	8%
401K Match	980	817	163	20%
PPO	2,292	1,688	604	36%
Medicare Reimbursement	(230)	(186)	(44)	24%
Community Relations	123	54	69	127%
Charitable Contributions	240	347	(107)	-31%
Other	1,097	1,539	(443)	-29%
Budget Totals	\$16,995	\$14,469	\$2,525	17%

Total expenses are budgeted to increase \$2.5 million, or 17%, due to rising medical costs for current and retired employees. In 2010, Human Resources will also assume the medical costs for Security and Admissions personnel in an effort to keep all medical costs centralized in one department.

FY 2010 Budget: \$5,297

4. Risk Management Department

FY 2009 Forecast: \$4,765

The Risk Management department is responsible for handling NYRA's various lines of insurance coverage including auto, disability, workers' compensation and general liability.

Risk Management

	Budget '10	Forecast '09	Variance	%
Workers Compensation	2,088	1,900	188	10%
Umbrella Insurance	505	508	(3)	-1%
Trustees/Officers Insurance	203	208	(5)	-2%
General Liability Insurance	647	350	297	85%
Disability	282	281	1	0%
Auto	383	365	18	5%
Property Insurance	484	522	(38)	-7%
Other	705	631	74	12%
Budget Totals	\$5,297	\$4,765	\$532	11%

Total expenses are budgeted to increase \$532k, or 11%. In 2009, NYRA received large refunds pertaining to workers' compensation and general liability expense. These unbudgeted refunds are determined by NYRA's positive claim experience versus expected future liability.

FY 2010 Budget: \$5,016

**5. Information Technology
Department**

FY 2009 Forecast: \$4,512

The Information Technology (IT) department is responsible for providing the support, development and implementation of a broad range of technology needs, initiatives and improvements to NYRA through home grown or third-party applications. IT has three functional groups; Applications, Systems & Networking, and the Help Desk.

Information Technology

	Budget '10	Forecast '09	Variance	%
Administrative Wages	\$1,509	\$1,500	\$9	1%
Payroll Taxes	48	47	1	2%
Computer Prof. Svcs.	660	568	92	16%
Licenses	120	122	(2)	-2%
Telephone	1,222	1,113	109	10%
Internet Support	780	722	58	8%
Computer Software	240	29	211	728%
Other	437	411	26	6%
Budget Totals	\$5,016	\$4,512	\$504	11%

NYRA has made huge strides on the technology front and in an effort to support this continued initiative, total expenses are budgeted to increase roughly \$504k, or 11%. Monies have been budgeted in 2010 for needed computer software upgrades. Telephone expense is also anticipated to increase \$109k or 10% due to a change in vendors.

FY 2010 Budget: \$ 8,857

6. Finance Department

FY 2009 Forecast: \$ 9,861

The Finance department is comprised of various administrative functions including Accounting, Payroll, Purchasing and Audit. The Finance department is headquartered at Aqueduct on a year-round basis.

Finance

	Budget '10	Forecast '09	Variance	%
Adminstraive Wages	\$3,350	\$3,350	\$0	0%
Payroll Taxes	1,918	1,696	222	13%
Bad Debt	2,000	3,100	(1,100)	-35%
Audit	798	780	18	2%
Consulting	300	416	(116)	-28%
Other	492	520	(28)	-5%
Budget Totals	\$8,857	\$9,861	(\$1,004)	-10%

Total expenses are budgeted to decrease \$1 million or 10% primarily due to increased collection efforts on bad general A/R debt.

FY 2010 Budget: \$3,534

7. Executive Administration
Department

FY 2009 Actual: \$3,452

The Executive Administration department was created in 2009 to isolate expenses associated with the executive management team (CEO, COO, CAO, and Director of OTB Relations) and their administrative support staff.

Executive Administration

	Budget '10	Forecast '09	Variance	%
Administrative Wages	\$1,381	\$1,370	\$11	1%
Payroll Taxes	95	95	0	0%
TRA Dues	300	305	(5)	-2%
NTRA Dues	352	400	(48)	-12%
Other Consulting	734	648	86	13%
Other	672	634	38	6%
Budget Totals	\$3,534	\$3,452	\$82	2%

Total expenses are budgeted to increase \$82k or 2% primarily due to external consulting and architectural design work for capital projects specifically at Saratoga Racecourse in anticipation of VLT revenue.

VII. NON-OPERATING EXPENSES

FY 2010 Budget: \$13,860

(000's)

FY 2009 Forecast: \$11,941

Non-operating expenses are projected to increase 16%, or \$1.9 million. This is largely due to depreciation expense which is based on a projection of 2010 asset additions.

FY 2010 Budget: \$60

a. Interest Expense

FY 2009 Forecast: \$61

Interest expense is projected to remain flat in 2010. Since "new" NYRA does not have any debt, no interest expense exists except with respect to the leases.

FY 2010 Budget: \$4,500

b. Depreciation

FY 2009 Forecast: \$2,727

Depreciation expense is expected to increase \$1.8 million, or 65% largely due to a projected addition of roughly \$10 million in assets.

FY 2010 Budget: \$50

c. Real Estate Taxes

FY 2009 Forecast: \$51

As part of the settlement agreement, "old" NYRA has transferred the deeds for the three racetracks to NYS. In turn, "new" NYRA is no longer responsible for the payment of real estate taxes.

FY 2010 Budget: \$7,000

d. Pension Provision

FY 2009 Forecast: \$7,200

Pension expense is budgeted to decrease \$200k, or 3%. This expense is based on an actuarial calculation attributed to prior employee service rendered.

FY 2010 Budget: \$2,250

e. Post Retiree Benefits

FY 2009 Forecast: \$1,900

Post-Retiree benefits expense is budgeted to increase \$350k. This is also based on an actuarial calculation attributed to prior employee service rendered.

FY 2010 Budget: \$0

f. Corporate Income Tax

FY 2009 Forecast: \$2

No Federal income tax is budgeted for 2010 based on liquidity and profitability concerns.

VIII. CONCLUSION

The 2010 budget is based on declines in handle consistent with industry trends offset in part by the addition of four race days in Saratoga. Operating expenses are tightly controlled and capital spending is minimal. NYRA however, faces a very serious, near-term cash crisis. The tough economic climate, the recent bankruptcy filing of NYC OTB, and the absence of VLT's are all major factors. Consequently, NYRA requires additional funding and does not expect to generate adequate cash flow to fund operations through 2010.

APPENDIX A

NYRA BOARD OF DIRECTORS

Chester F. Broman, Sr., Class B Director
Dennis Dammerman, Class A Director
Michael J. DelGiudice, Class B Director
Michael Dubb, Class B Director
C. Steven Duncker, Class A Director
Robert S. Evans, Class A Director
Lucy Young Hamilton, Class A Director
Charles E. Hayward, Class A Director
James P. Heffernan, Class A Director
John R. Hendrickson, Class B Director
Michael D. Hess, Class B Director
Denis M. Hughes, Class B Director
Stuart S. Janney III, Class A Director
Bennett Liebman, Class B Director
John W. Meriwether, Class A Director
John J. Nigro, Class B Director
Barry Ostrager, Class A Director
Ogden Mills Phipps, Class A Director
Leonard Riggio, Class B Director
Richard T. Santulli, Class A Director
Andrei Saunders, Class A Director
Peter G. Schiff, Class A Director
Stuart Subotnick, Class A Director
Richard A. Violette, Jr., Class B Director